

ASSEMBLY BILL

No. 1606

Introduced by Assembly Member Arambula

February 23, 2007

An act to amend Section 15570 of, and to add Sections 13984.3 and 15570.2 to, the Government Code, relating to the California Economic Strategy Panel.

LEGISLATIVE COUNSEL'S DIGEST

AB 1606, as introduced, Arambula. The California Economic Strategy Panel: state economic development strategy.

Existing law requires the Secretary of Labor and Workforce Development to convene a biennial economic strategy panel, which includes specified appointed members, for purposes of providing recommendations regarding a California Economic Development Strategic Plan and to review those recommendations made by the panel in its biennial economic development strategic plan document, as specified. Existing law requires the panel to address various specified matters of concern, including the development of a system of accountability for use in the annual state budget process and in the legislative process to measure the performance of all state policies, programs, and tax expenditures intended to stimulate the economy. Existing law also requires the panel to submit a report of its findings and recommendations to the Legislature no later than one year after its first meeting after January 1, 2005.

This bill would require the Secretaries of Business, Transportation and Housing and of Food and Agriculture to join the Secretary of Labor and Workforce Development in leading the preparation of a California Economic Development Strategic Plan and convening a California

Economic Strategy Panel, as provided. This bill modify the composition of the California Economic Strategy Panel by adding the Secretary of Business, Transportation and Housing and the Secretary of Food and Agriculture as cochairs of the panel.

This bill would also include a review of significant industries and business clusters in each of the state's 9 regional economies within the matters of concern to be addressed in the panel's meetings, and would require the panel to develop, instead of assessing the development of, a system of accountability for use in the annual state budget process and in the legislative process to measure the performance of all state policies, programs, and tax expenditures intended to stimulate the economy.

This bill would also revise and restructure provisions relating to the panel's review of the recommendations made in its economic development strategic plan document, as provided, and would require the secretaries to deliver copies of the panel's recommended economic development plan, and to submit a biennial report of the activities of the panel, to the Governor and the Chief Clerks of both Houses of the Legislature for a distribution to the relevant policy and fiscal committees, as specified. It would require the plan to be updated and submitted every four years, rather than biennially.

This bill would also require the Secretary of Business, Transportation and Housing, with the assistance of the panel, to develop a strategy to attract new private investment to the state, as provided, and, by February 15, 2009, to submit the private investment strategy to the Governor and the Chief Clerks of both Houses of the Legislature.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 13984.3 is added to the Government
- 2 Code, to read:
- 3 13984.3. (a) The Secretary of Business, Transportation and
- 4 Housing, working with the California Economic Strategy Panel,
- 5 shall develop a strategy to attract new private investment to the
- 6 state.
- 7 (b) The secretary may hold business roundtables and
- 8 conferences, and use other devices he or she deems appropriate to

1 engage leaders in the business, industry, investment, and
2 community development sectors, to develop the strategy.

3 (c) (1) In addition to any other group or entity that the secretary
4 chooses to consult in preparation of the private investment strategy
5 developed pursuant to subdivision (a), the secretary shall consult
6 with key private investment partners assisting in the development
7 and implementation of the strategy.

8 (2) For purposes of this section, “key private investment
9 partners” includes, but is not limited to, representatives from the
10 banking and insurance industries, foundations, corporate and public
11 pension funds, venture capital funds, community development
12 financial institutions, and community development corporations.
13 “Key private investment partners” may include foreign and
14 out-of-state, as well as California based, entities.

15 (3) The Business, Transportation and Housing Agency shall use
16 the California Economic Development Strategic Plan prepared
17 pursuant to Section 15570 to facilitate the development of the
18 implementation of the strategy.

19 (d) The private investment strategy shall do all of the following:

20 (1) Assess current trends and opportunities in global and
21 domestic investment practices.

22 (2) Assess the unique investment needs of banks, insurance
23 companies, pension funds, and high wealth individuals. The
24 assessment shall also include a review of the investment needs of
25 early stage private equity investors.

26 (3) Assess the state’s positive and negative qualities as a place
27 to invest.

28 (4) Identify specific capital access needs of businesses, including
29 small businesses, and industries by economic region.

30 (5) Identify areas of the state that have historically been
31 underserved, but are currently in the process of becoming
32 successful emerging domestic markets.

33 (6) Identify programs, services, tax incentives, or actions taken
34 by other state governments or the federal government that could
35 be used by this state in attracting foreign investment, including
36 New Markets Tax Credits and venture capital guarantees to
37 facilitate wealth creation and low-income neighborhood
38 revitalization.

(7) Identify and evaluate existing programs, services, regulations, and incentives that are used, or could be used, to attract foreign and domestic private investment.

(8) Identify opportunities to facilitate community-based efforts to revitalize low-income neighborhoods in the state through increased private investment.

(9) Make other recommendations to further the state's interest in attracting private investment, including changes in applicable regulations and statutes.

(10) Propose short-term and long-term strategies for this state to attract more foreign and domestic investments including, but not limited to, investments in historically underserved communities, small businesses, and emerging industries and technologies.

(e) The private investment strategy may be prepared in conjunction with, and submitted as part of, the California Economic Development Strategic Plan prepared pursuant to Sections 15570 and 15570.2. The private investment strategy shall be consistent with the provisions of the California Economic Development Strategic Plan.

(f) By February 15, 2009, the secretary shall submit the private investment strategy to the Governor and the Chief Clerk of each House of the Legislature, where it shall be distributed to the relevant policy and fiscal committees. The private investment strategy shall be updated not less than once every four years.

SEC. 2. Section 15570 of the Government Code is amended to read:

15570. (a) ~~The secretary~~ *Secretaries of Labor and Workforce Development, of Business, Transportation and Housing, and of Food and Agriculture* shall lead the preparation of a ~~biennial~~ California Economic Development Strategic Plan. In fulfilling this duty, ~~the secretary~~ *secretaries shall meet all the requirements of this section.* ~~shall do the following:~~

(1) ~~Review the recommendations made by the California Economic Strategy Panel in their biennial economic development strategic plan document. This document shall make recommendations regarding an economic development strategic plan for the state, covering a two-year time period and containing a statement of economic goals for the state, a prioritized list identifying significant issues learned from economic development strategic plan panel meetings, proposals for legislation, regulations,~~

1 ~~and administrative reforms necessary to improve the business~~
2 ~~climate and economy of the state, evaluation of the effectiveness~~
3 ~~of the state's economic development programs, a list of key~~
4 ~~industries in which the state shall focus its economic development~~
5 ~~efforts, and strategies to foster job growth and economic~~
6 ~~development covering all state agencies, offices, boards, and~~
7 ~~commissions that have economic development responsibilities.~~

8 ~~(2) Convene a~~

9 ~~(b) The secretaries shall convene a California Economic~~
10 ~~Strategy Panel biennial economic strategy panel to provide~~
11 ~~recommendations regarding a California economic development~~
12 ~~strategic plan the development of the California Economic~~
13 ~~Development Strategic Plan. This panel~~

14 ~~(c) (1) The panel shall conduct meetings in Sacramento, all~~
15 ~~cities of the state with populations over 500,000, and in major~~
16 ~~cities of other regions of California, as designated by the secretary~~
17 ~~secretaries. The secretary~~

18 ~~(2) The secretaries, on behalf of the panel, shall invite~~
19 ~~businesses, labor unions, organizations representing the interests~~
20 ~~of diverse ethnic and gender groups, local government leaders,~~
21 ~~academic economists and business professors, chambers of~~
22 ~~commerce and other business organizations, government agencies,~~
23 ~~and key industries to provide advice on economic development~~
24 ~~issues and to contribute to the preparation of the recommended~~
25 ~~economic strategy. These meetings shall address at least the~~
26 ~~following matters of concern:~~

27 ~~(A) Strengths~~

28 ~~(d) As part of its deliberations on the California Economic~~
29 ~~Development Strategic Plan, the panel shall, at a minimum, assess~~
30 ~~the following:~~

31 ~~(1) Strengths and weaknesses of the California economy and~~
32 ~~the state's prospects for future economic prosperity.~~

33 ~~(2) Significant industries and business clusters in each of the~~
34 ~~state's nine regional economies, including those that are emerging~~
35 ~~or declining.~~

36 ~~(B)~~

37 ~~(3) Emerging and declining industries in California and~~
38 ~~elsewhere other states and around the world.~~

39 ~~(C)~~

1 (4) Effectiveness of California's economic development
2 programs in creating and retaining jobs and attracting industries.

3 ~~(D)~~

4 (5) Adequacy of state and local physical and economic
5 infrastructure, *including workforce development capacity*.

6 ~~(E)~~

7 (6) Government impediments to economic development.

8 ~~(F) The development of~~

9 (e) *The panel shall develop* a system of accountability for use
10 in the annual state budget process and in the legislative process to
11 measure the performance of all state policies, programs, and tax
12 expenditures intended to stimulate the economy. In developing a
13 system of accountability, the panel shall, by using only existing
14 resources and without future budget augmentation made for this
15 purpose, do all of the following:

16 ~~(i)~~

17 (1) Develop a standard definition of economic development.

18 ~~(ii)~~

19 (2) Develop, for use in state law, standard measurements of real
20 per capita income, job growth, new business creation, private sector
21 investment, minority entrepreneurship, and income inequality.

22 ~~(iii)~~

23 (3) Survey and evaluate efforts in other states to develop
24 accountability measures for public investments in economic
25 development.

26 ~~(iv)~~

27 (4) Determine whether a return on investment calculation is
28 feasible for public investments in economic development.

29 ~~(v)~~

30 (5) Conduct a comparative study of various methodologies for
31 preparing the economic development sections of a state budget,
32 including unified functional budget, zero-based budget, and
33 performance-based budget methodologies.

34 ~~(vi)~~

35 (6) Study the feasibility of statutory disclosure requirements on
36 specified publicly funded subsidies to private sector businesses.

37 ~~(vii)~~

38 (7) Submit a report of its findings and recommendations
39 regarding this subparagraph to the Legislature no later than one
40 year after its first meeting after January 1, 2005.

~~(b)~~

(f) The panel shall be composed of the following—15 17
members:

(1) The Secretary of Labor and Workforce Development, who
shall serve as ~~chair~~ *a cochair* of the panel.

(2) *The Secretary of Business, Transportation, and Housing,*
who shall serve as a cochair of the panel.

(3) *The Secretary of Food and Agriculture, who shall serve as*
a cochair of the panel.

~~(2)~~

(4) Eight persons appointed by the Governor, *at least one of*
whom shall have a background in local economic development.

~~(3)~~

(5) The Speaker of the Assembly or his or her designee.

~~(4)~~

(6) The President pro Tempore of the Senate or his or her
designee.

~~(5)~~

(7) The Minority Leader of the Assembly or his or her designee.

~~(6)~~

(8) The Minority Leader of the Senate or his or her designee.

~~(7)~~

(9) One person appointed by the Speaker of the Assembly.

~~(8)~~

(10) One person appointed by the Senate Committee on Rules.

~~(e)~~

(g) ~~The panel~~ *Members of the panel* shall be ~~representative~~
representatives of state government, business, *economic*
developers, labor, finance, and academic institutions, and shall be
broadly reflective of the state's population as to gender, ethnicity,
and geographic residence within California.

At least one-half of all the persons on the panel shall be from
the private sector and at least two appointments shall be from
private businesses with less than 50 employees. At least two
appointments shall be from rural areas of the state. ~~Beginning~~

(h) *Beginning* January 1, 2004, appointments to the panel shall
be for four-year terms, except that the Governor's appointments
made pursuant to paragraph ~~(2)~~ (4) of subdivision ~~(b)~~ (f) shall be
made as follows:

(1) Four members shall be appointed on January 1, 2004, and every four years thereafter.

(2) Four members shall be appointed on January 1, 2004, for a two-year term.

(3) Upon the expiration of the initial appointments made pursuant to paragraph (2), four members shall be appointed on January 1, 2006, and every four years thereafter.

~~(d)~~

~~(i) The secretary secretaries shall deliver copies of the economic strategy panel's California Economic Strategy panel's recommended California economic development strategic plan to Economic Development Strategic Plan to the Governor and the Chief Clerk of each House of the Legislature where it shall be distributed to the relevant policy and fiscal committees. The report shall also be posted on Web sites of the California Economic Strategy panel and each of the secretaries.~~

~~(e) In~~

~~(j) Beginning in 2008, and in each succeeding two-year four-year cycle, the secretary secretaries shall undertake this process anew, so as to update the economic strategy on or before October 31 of each succeeding second year update and submit the California Economic Development Strategic Plan, as provided in subdivision (i), on or before October 31 of the fourth year of each cycle.~~

~~(k) The secretaries shall submit a biennial report on the activities of the California Economic Strategy Panel to the Chief Clerk in both Houses of the Legislature where it shall be distributed to the relevant policy and fiscal committees. The report shall be submitted by October 31 of each succeeding second year.~~

SEC. 3. Section 15570.2 is added to the Government Code, to read:

15570.2. (a) The California Economic Development Strategic Plan shall provide analysis and make strategic recommendations to support the sustainable economic growth of the state. The plan shall include short-term, mid-term, and long-term recommendations.

(b) The California Economic Development Strategic Plan shall include, but not be limited to, all of the following:

(1) A statement of economic goals for the state.

1 (2) An assessment of the regional, state, national, and global
2 economic trends that affect California's economy.

3 (3) An assessment of the needs of business and industry,
4 especially small size companies, to grow and prosper in California.

5 (4) An evaluation of the effectiveness of the state's economic
6 and workforce development programs.

7 (5) A prioritized list of significant short-term and mid-term
8 issues gathered from, among other activities, California Economic
9 Strategy Panel meetings, regional outreach meetings, and
10 contributions from key stakeholder groups.

11 (6) A list of current and emerging key industries, by region, in
12 which the state shall focus its economic development efforts.

13 (7) Proposals for legislation, regulations, and administrative
14 reforms necessary to improve the business climate and economy
15 of the state.

16 (8) A funding strategy to meet the short-term and mid-term
17 goals, objectives, and actions recommended in the plan.

18 (9) Short-term, mid-term, and long-term strategies to encourage
19 job growth and economic development in this state created by state
20 agencies, offices, boards, and commissions responsible for
21 economic development.

22 (c) This section does not limit the scope of the plan. The state's
23 economic development strategy shall be a comprehensive document
24 that guides state activities and supports the immediate and
25 long-term economic growth of the state.

26 (d) The plan shall be consistent with the goals and objectives
27 in the California Environmental Goals and Policy Report. The plan
28 shall provide guidance to all state agencies, departments, boards,
29 and commissions that develop plans, strategies, and other planning
30 documents related to infrastructure and economic and workforce
31 development.